

## Press Release

Rajputana Industries Private Limited

March 24, 2022

## Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	11.25	-	ACUITE A3+   Reaffirmed
Bank Loan Ratings	21.75	ACUITE BBB   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	33.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

## Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and the short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs. 33.00 crore bank facilities of Rajputana Industries Private Limited (RIPL). The outlook is '**Stable**'.

### Rationale for rating reaffirmation

The rating reaffirmation reflects established track record of operations, sustained business risk profile, reputed and diversified customer portfolio and moderate financial risk profile. Shera Group's scale of operations continue to be at comfortable levels with total operating income of Rs. 422.01 crore in FY2021. Further, the group has reported an operating income of Rs. 444.69 crore during 9MFY2022. Profitability of the group has improved marked by an EBITDA margin of 7.95 per cent in FY2021. Overall financial risk profile remained moderate with improvement in gearing levels while at the same time registering marginal improvement in the debt coverage indicators. The above strength is underpinned by intensive working capital operations which further deteriorating to 168 days of GCA in FY2021 as against 152 days in the previous year due to high-year end balances due to covid-19 induced lockdown. Cash accruals of the group have remained sufficient to service maturing debt obligations but provide limited cushion for incremental working capital operations.

### About Company

Jaipur based, Rajputana Industries Private Limited (RIPL) was incorporated in the year 2011 by Mrs. Shivani Sheikh. The company is engaged in the manufacturing of copper, cooper alloy and cupronickel casted, extruded and drawn products which are billets/ingots, Mother shells, Tubes/pipes, Hollow/solid rods, sections and profiles etc

### About the Group

Shera group (SG) was formed with the establishment of a proprietorship firm, Shera Metals & Engineers in the year 2003 by Mr. Naseem Sheikh. SEPL has three subsidiaries; Shera Metal Private Limited (SMPL), Rajputana Industries Private Limited (RIPL) and Shera Infrapower

Private Limited (SIPL). SMPL is engaged in manufacturing of copper bus bar, tin plated copper bus bar, PCC poles, brass rod & wires and paper covered copper strips, while RIPL was incorporated with a view to secure a backward integration of its product lines manufactured by SEPL & SMPL through manufacturing of mother tubes of brass (copper and zinc mix) tube, copper nickel (copper nickel mix) tube, and brass rod & section (copper and zinc). SG caters to intermediate product requirements of various industries such as transformers, electric and electronic goods, refinery, construction, capital goods industry, sugar plants, automobile and aviation, to name a few.

## **Analytical Approach**

### **Extent of Consolidation**

- Full Consolidation

### **Rationale for Consolidation or Parent / Group / Govt. Support**

Acuité has considered the consolidated business and financial risk profiles of Shera Energy Private Limited (SEPL), Shera Metal Private Limited (SMPL), Rajputana Industries Private Limited (RIPL) and Shera Infrapower Private Limited to arrive at this rating. The consolidation is on account of common management, presence in the same line of business and significant business and financial synergies between the entities. The group is herein referred to as "Shera Group (SG)".

## **Key Rating Drivers**

### **Strengths**

#### **> Experienced management and established track record of operations**

The group is a producer of copper and aluminium winding wires along with other products like bus bars of copper, aluminium and brass, copper, copper alloys & cupronickel casted, extruded and drawn products viz billets/ ingots, mother shells, tubes/ pipes, rods, profiles and sections. The promoters and directors of the group have over a decade of experience in the aforementioned industry. SG caters to the demand of various industries such as LPG valve manufacturing, automobile, forging, marine, power generation and electrical industry, to name a few through its diversified product portfolio.

Due to the group's established track record of operations and management experience, the revenue of the group has improved from Rs. 213.06 Cr in FY 17 to Rs. 422.01 Cr in FY 21 with CAGR of 14.65% from FY 17 to FY 21. Further, the group has reported an operating income of Rs. 444.69 crore of net revenue (exclusive of inter-company sales) during 9MFY2022. The team has observed that there is a significant improvement in the top line Q-o-Q basis for RIPL, SEPL and SMPL owing to revival of demand. The group is expected to continue to leverage its well established relationships with reputed clients and suppliers.

Acuité believes that the group will continue to benefit from its established track record of operations and experienced management.

#### **> Moderate Financial Risk Profile**

The financial risk profile of the group is moderate marked by healthy net worth, moderate gearing, debt protection metrics and coverage indicators.

The net worth of the group is healthy, estimated at around Rs. 84.63 crore as on March 31, 2021 as against Rs. 79.65 crore as on March 31, 2020. The net worth levels have seen significant improvement over the last three years through FY2021 on account of moderate profitability along with infusion of funds in the form of unsecured loans.

The group has followed a moderately aggressive financial policy in the past, the same is reflected through its gearing and total outside liabilities to tangible net worth (TOL/TNW) levels of 1.21 times and 2.47 times as on March 31, 2020. The leverage levels however have improved to 1.07 times as on March 31, 2021. The gearing however is expected to improve further in the absence of any debt funded capex.

The total debt of Rs. 90.30 crore as on 31 March 2021 comprises of long-term borrowings of Rs.

27.48 crores and working capital borrowings of Rs. 50.31 crores, current portion of long term debt of Rs. 11.95 Cr and USL from directors worth Rs. 0.57 Cr..

The revenues of the group remained stable at Rs. 422.01 crore during 2021-22, however its operating margins improved from 6.93 per cent in FY2020 to 7.59 per cent in FY2021. The above average profitability levels coupled with moderate debt levels has led to moderate debt protection measures. The NCA/TD and interest coverage ratio for FY 2021 were moderate at 0.11 per cent and 1.54 times, respectively.

Acuité believes that the financial risk profile of the group is expected to remain moderate on back of absence of any major debt funded capex plan and moderate accretion to reserves

### **Weaknesses**

#### **> Working capital intensive nature of operations**

The group has working capital intensive nature of operations as evident from gross current assets (GCA) of 168 days for FY2021 as against 152 days for FY2020. The team has observed deterioration when compared to previous year's numbers and the deterioration is on majorly on account of high year-end work-in-progress inventory owing to covid-19 induced lockdown and on account of increasing prices of material due to which the group is maintaining a certain level of volume at various plant for smooth working. Inventory days stood at 95 days as against 63 days for FY2020, while debtors' days stood improved at 67 days for FY2021 as against 81 days in the previous year. However, creditors' payment period increased to 106 days as on 31st March 2021. Further, current ratio of the group stood at 1.19 times for FY2021 (1.14 times: PY). Acuite expects the working capital requirements of the group to remain moderately intensive on account of the high credit period offered to its customers.

#### **> Competitive industry and susceptibility to raw material prices**

Copper & Aluminium are highly competitive industries characterized by low entry barriers, which results in intense competition from the large number of organized and unorganized players present in the downstream segment providing similar products/services. Hence, the bargaining power of company remains low due to competitive nature of the industry. However, the risk is mitigated to an extent on account of established track record of operations. Further, SG's revenue and profitability are susceptible to volatility in copper and aluminium prices.

### **Rating Sensitivities**

- > Significant improvement in the profitability metrics.
- > Further deterioration in its working capital management.

### **Material Covenants**

None

### **Liquidity Position: Adequate**

Liquidity of the group is adequate on account of adequate cash accruals to maturing debt service obligations over the same period. Cash accruals however provide limited liquidity buffer to support incremental working capital operations and hence, utilization of working capital limits stood high. The average fund based bank limit utilization stood at ~95 percent for the last eleven months ending February 2022 and the average non-fund based bank limit utilization stood at ~86 percent for the last eleven months ending February 2022. Further, the group has Rs. 0.21 crore of unencumbered cash and bank balances as on March 31, 2021. Furthermore, the group has Rs. 12.17 crore of unencumbered fixed deposits, lending adequate financial flexibility.

### **Outlook: Stable**

Acuité believes that SG will maintain a 'Stable' outlook and will continue to derive benefit over the medium term due to its extensive experience of promoters. The outlook may be revised to 'Positive', if the group demonstrates substantial and sustained growth in its

revenues from the current levels while maintaining its capital structure. Conversely, the outlook may be revised to 'Negative' if the group generates lower-than-anticipated cash accruals, most likely as a result of sharp decline in operating margins, or deterioration in working capital leading to higher reliance on external borrowings thereby impacting its financial risk profile, particularly its liquidity.

## Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	422.01	425.33
PAT	Rs. Cr.	4.98	4.47
PAT Margin	(%)	1.18	1.05
Total Debt/Tangible Net Worth	Times	1.07	1.21
PBDIT/Interest	Times	1.54	1.52

## Status of non-cooperation with previous CRA (if applicable)

None

## Any Other Information

None

## Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>

## Note on Complexity Levels of the Rated Instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
17 Mar 2021	Bank Guarantee	Short Term	0.25	ACUITE A3+ (Reaffirmed)
	Working Capital Demand Loan	Long Term	3.07	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	0.25	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	3.02	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	1.88	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	0.66	ACUITE BBB   Stable (Reaffirmed)
	Cash Credit	Long Term	0.60	ACUITE BBB   Stable (Reaffirmed)
	Letter of Credit	Short Term	11.00	ACUITE A3+ (Reaffirmed)
	Proposed Bank Facility	Long Term	2.65	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	2.31	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	5.81	ACUITE BBB   Stable (Reaffirmed)

	Working Capital Demand Loan	Long Term	1.50	ACUITE BBB   Stable (Reaffirmed)
19 Feb 2020	Term Loan	Long Term	0.29	ACUITE BBB   Stable (Assigned)
	Term Loan	Long Term	3.31	ACUITE BBB   Stable (Assigned)
	Bank Guarantee	Short Term	0.25	ACUITE A3+ (Assigned)
	Cash Credit	Long Term	3.60	ACUITE BBB   Stable (Assigned)
	Working Capital Demand Loan	Long Term	2.00	ACUITE BBB   Stable (Assigned)
	Term Loan	Long Term	0.80	ACUITE BBB   Stable (Assigned)
	Term Loan	Long Term	2.80	ACUITE BBB   Stable (Assigned)
	Proposed Bank Facility	Long Term	2.93	ACUITE BBB   Stable (Assigned)
	Term Loan	Long Term	6.88	ACUITE BBB   Stable (Assigned)
	Term Loan	Long Term	2.14	ACUITE BBB   Stable (Assigned)
	Letter of Credit	Short Term	8.00	ACUITE A3+ (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.25	ACUITE A3+   Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.60	ACUITE BBB   Stable   Reaffirmed
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE A3+   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.90	ACUITE BBB   Stable   Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	1.88	ACUITE BBB   Stable   Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	5.81	ACUITE BBB   Stable   Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	2.31	ACUITE BBB   Stable   Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	0.66	ACUITE BBB   Stable   Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	3.02	ACUITE BBB   Stable   Reaffirmed
Tata Capital Limited	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	1.50	ACUITE BBB   Stable   Reaffirmed
State Bank of India	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	3.07	ACUITE BBB   Stable   Reaffirmed

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### About Acuité Ratings & Research

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